

**REPORT OF THE AUDIT OF THE
FLOYD COUNTY
SHERIFF**

**For The Year Ended
December 31, 2011**



**ADAM H. EDELEN
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE FLOYD COUNTY SHERIFF

**For The Year Ended
December 31, 2011**

The Auditor of Public Accounts has completed the Floyd County Sheriff's audit for the year ended December 31, 2011. Based upon the audit work performed, the financial statement presents fairly, in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting.

Financial Condition:

Excess fees increased by \$17,037 from the prior year, resulting in excess fees of \$57,972 as of December 31, 2011. Revenues decreased by \$30,119 from the prior year and expenditures decreased by \$47,156.

Lease Agreements:

The Sheriff's office is committed to a lease agreement for three Ford Crown Victoria's totaling \$31,714 as of December 31, 2011. Future payments of \$31,714 are needed to meet this obligation.

The Sheriff's office entered into an annually renewable lease agreement for a Chevrolet Tahoe totaling \$54,560 on November 29, 2010. A payment of \$19,500 was made when the lease was executed and another on December 15, 2011 in the amount of \$19,500. If the Sheriff renews the agreement for the last year, \$15,560 is due on December 15, 2012. If all payments are made totaling \$54,560, ownership of the vehicle will revert to the fiscal court.

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities or bonds.

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ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS

Honorable Robert Marshall, Floyd County Judge/Executive
The Honorable John K. Blackburn, Floyd County Sheriff
Members of the Floyd County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees -regulatory basis of the Sheriff of Floyd County, Kentucky, for the year ended December 31, 2011. This financial statement is the responsibility of the Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the Sheriff for the year ended December 31, 2011, in conformity with the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated December 13, 2012 on our consideration of the Floyd County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable Robert Marshall, Floyd County Judge/Executive
The Honorable John K. Blackburn, Floyd County Sheriff
Members of the Floyd County Fiscal Court

This report is intended solely for the information and use of the Sheriff and Fiscal Court of Floyd County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these interested parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Adam H. Edelen', with a long horizontal flourish extending to the right.

Adam H. Edelen
Auditor of Public Accounts

December 13, 2012

FLOYD COUNTY
JOHN K. BLACKBURN, SHERIFF
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2011

Revenues

Federal Grant		\$	34,861
State Grants:			
Domestic Violence Grant	\$	44,662	
Kentucky Law Enforcement Foundation Program Fund (KLEFPF)		<u>33,716</u>	78,378
State Fees For Services:			
Finance and Administration Cabinet		120,106	
Sheriff Security Service		<u>17,036</u>	137,142
Circuit Court Clerk:			
Fines and Fees Collected		5,848	
Court Ordered Payments		<u>41,029</u>	46,877
Fiscal Court			91,325
County Clerk - Delinquent Taxes			94,733
Commission On Taxes Collected			460,576
Fees Collected For Services:			
Auto Inspections		10,992	
Accident and Police Reports		1,570	
Serving Papers		83,368	
Carrying Concealed Deadly Weapon Permits		<u>6,640</u>	102,570
Other:			
Other Fees From Taxes		55,922	
Miscellaneous		<u>614</u>	56,536
Interest Earned			5,299
Borrowed Money:			
State Advancement			<u>72,000</u>
Total Revenues			1,180,297

The accompanying notes are an integral part of this financial statement.

FLOYD COUNTY
 JOHN K. BLACKBURN, SHERIFF
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

Expenditures

Operating Expenditures:

Personnel Services-

Deputies' Salaries	\$ 420,472
Other Salaries	191,755
Overtime	28,528

Employee Benefits-

Employer's Share Social Security	58,183
Unemployment Insurance	7,194

Materials and Supplies-

Office Materials and Supplies	26,969
Uniforms	21,287

Auto Expense-

Gasoline	101,591
Maintenance and Repairs	48,605

Other Charges-

Conventions and Travel	5,287
Travel and Training	2,663
Dues	1,063
Postage	1,342
Bond	984
Court Ordered Payments	1,486
County Collections	4,920
Drug Testing	185
Miscellaneous	498

\$ 923,012

Debt Service:

State Advancement	72,000
Vehicle Leases	35,357

107,357

Total Expenditures

\$ 1,030,369

The accompanying notes are an integral part of this financial statement.

FLOYD COUNTY
 JOHN K. BLACKBURN, SHERIFF
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

Net Revenues		\$	149,928
Less: Statutory Maximum			<u>88,277</u>
Excess Fees			61,651
Less: Training Incentive Benefit			<u>3,679</u>
Excess Fees Due County for 2011			57,972
Payments to Fiscal Court - February 16, 2012	\$	57,626	
March 2, 2012		<u>346</u>	<u>57,972</u>
Balance Due Fiscal Court at Completion of Audit		\$	<u><u>0</u></u>

The accompanying notes are an integral part of this financial statement.

FLOYD COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2011

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the Sheriff as determined by the audit. KRS 134.310 requires the Sheriff to settle excess fees with the fiscal court at the time he files his final settlement with the fiscal court.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive) at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2011 services
- Reimbursements for 2011 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2011

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

FLOYD COUNTY
 NOTES TO FINANCIAL STATEMENT
 December 31, 2011
 (Continued)

Note 2. Employee Retirement System

The county official and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 16.93 percent for the first six months and 18.96 percent for the last six months.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

CERS also provides post retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

Years of Service	% paid by Insurance Fund	% Paid by Member through Payroll Deduction
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

FLOYD COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2011
(Continued)

Note 3. Deposits

The Floyd County Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The Floyd County Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2011, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 4. Drug Abuse Resistance Education Program Account

The Floyd County Sheriff maintains an account for Drug Abuse Resistance Education (DARE) Program money. This money is to be used for drug education. The beginning balance in the account as of January 1, 2011 was \$3,522. During 2011, funds of \$5,004 were received and funds of \$4,900 were expended, leaving a balance of \$3,626 as of December 31, 2011.

Note 5. Drug Reinforcement Account

The Floyd County Sheriff maintains a drug reinforcement account made up of proceeds from the confiscation, surrender, or sale of real and personal property involved in drug related convictions. These funds are to be used for law enforcement activities. As of January 1, 2011, this account had a balance of \$1,930. During 2011, funds of \$849 were received and funds of \$2,575 were expended, leaving a balance of \$204 as of December 31, 2011.

Note 6. Federal Grant

The Sheriff's office contracted with the United States Army Corps of Engineers to provide patrols around Dewey Lake throughout the year. The amount received under the contract during 2011 was \$34,861.

FLOYD COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2011
(Continued)

Note 7. Lease Agreements

- A. On December 15, 2010, the Sheriff's office entered into a lease agreement with Ford Motor Credit Company for three Ford Crown Victoria's. The agreement required an upfront payment of \$19,000 and an annual payment of \$15,857 for 3 years to be completed on December 15, 2013. The total remaining balance of the agreement was \$31,714 as of December 31, 2011.
- B. On November 29, 2010, the Sheriff's office entered into a lease agreement with C&M Leasing for a Chevrolet Tahoe. This is an annually renewable lease agreement and the Sheriff has the right to turn the vehicle in or upgrade the vehicle. A payment of \$19,500 was made when the lease was executed and another on December 15, 2011 in the amount of \$19,500. If the Sheriff renews the agreement for the last year, \$15,560 is due on December 15, 2012. If all payments are made totaling \$54,560, ownership of the vehicle will revert to the fiscal court.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Robert Marshall, Floyd County Judge/Executive
The Honorable John K. Blackburn, Floyd County Sheriff
Members of the Floyd County Fiscal Court

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards**

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the Floyd County Sheriff for the year ended December 31, 2011, and have issued our report thereon dated December 13, 2012. The Sheriff's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Floyd County Sheriff's office is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Sheriff's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Sheriff's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sheriff's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Floyd County Sheriff's financial statement for the year ended December 31, 2011, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, the Floyd County Fiscal Court, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Adam H. Edelen', with a stylized flourish at the end.

Adam H. Edelen
Auditor of Public Accounts

December 13, 2012

